



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

m/015/061

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

September 17, 2002

Q R R - 7099-3400-0016-8895-4920

Luana Crane, Loan Officer
Utah Independent Bank
P.O. Box 09
Salina, Utah 84654

Re: Authorization to Release Letters of Credit, Western Clay Company, Last Chance Mine
(M/015/061) and Bentonite Pit (M/041/012), Emery and Sevier Counties, Utah

Dear Ms. Crane:

On September 6, 2002, we were advised by Brad Boyter, President of Western Clay Company ("WCC") that WCC was replacing the \$51,800 Letter of Credit # _____ for their Last Chance Mine and the \$96,900 Letter of Credit # _____ for their Bentonite Pit, with replacement Letters of Credit ("LOC") issued by Zions First National Bank, Moab Branch.

On September 11, 2002, new replacement LOC's were received from Zions Bank. Before these LOC's can become effective, Utah Independent Bank's current LOC's must be released in order to transfer the existing collateral, thus securing the new LOC's. Therefore, this letter grants formal authorization to Utah Independent Bank to cancel and release said Letters of Credit, thereby allowing transfer of the current collateral to Zions Bank.

Please send us written confirmation that these transactions have been accomplished. Enclosed are the original LOC's that you will need to formally cancel and return to WCC. If you have any questions or concerns regarding this letter, please contact D. Wayne Hedberg at (801) 538-5286, or Joelle Burns at 538-5291. Thank you for your cooperation and assistance in this matter.

Sincerely,

for Lowell P. Braxton
Director

Division of Oil, Gas and Mining

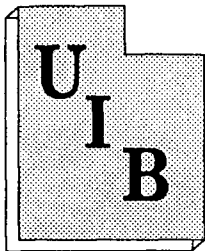
jb

Enclosures: (2) original UIB LOC's

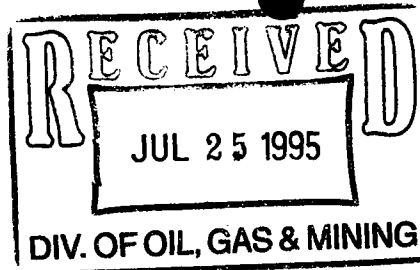
cc: Brad Boyter, Western Clay

Bob Miller, Zions Bank

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**UTAH
INDEPENDENT
BANK**



55 South State
Salina, Utah 84654
Phone (801)529-7459

Letter of Credit No.:
March 17, 1995

Utah Independent Bank
March 17, 1996

Utah Division of Oil, Gas and Mining
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

m/015/061

and

United States Department of Interior
Bureau of Land Management
Moab District
San Rafael Resource Area
900 North 700 East
Price, UT 84501

Gentlemen and Ladies:

1. Utah Independent Bank, Salina, Utah, hereby establishes this irrevocable Letter of Credit in favor of the Utah Division of Oil, Gas and Mining ("Division") for itself and as agent for the Department of the Interior - BLM (collectively, the "Beneficiaries") for an aggregate amount not to exceed \$40,800.00 in United States dollars effective immediately.

2. This Letter of Credit will expire upon the earlier to occur of (a) 5:00 o'clock p.m. (Salt Lake City time) on March 17, 1996 and (b) the date upon which documents are executed pursuant to which the Division releases Western Clay Company from liability for reclamation of the Last Chance Clay Mine, no. M/015/061 with notice to Bank or Surety by the Division accompanied by the original Letter of Credit with directions for cancellation.

3. The Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Utah Independent Bank gives notice to the Division 90 days prior to the expiration date that the Utah Independent Bank elects not to renew the Letter of Credit.

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No.: 25069659 delivered to the office of the Utah Independent Bank, 55 South State Street, Salina, Utah. At the Division's sole election, the Division may present sight drafts for less than the face amount so long as the aggregate amount of all sight drafts does not exceed the face amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If the Utah Independent Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination date of this Letter of Credit, Utah Independent Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Utah Independent Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. The Utah independent Bank will give prompt notice to Western Clay Company, and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Utah Independent Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Utah Independent Banks charter or license to do business.

7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1983 revision, International Chamber of Commerce Publication No. 400, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah Law and the UCP, Utah Law shall govern.

8. All communications regarding this Letter of Credit will be addressed to the Utah Independent Bank, 55 South State Street, Salina, Utah, referencing Letter of Credit No.:

Very truly yours,

Utah Independent Bank

By: 
Mike Shaw - Cashier

MWS/lc

cc: Western Clay Company
file

EXHIBIT A - SIGHT DRAFT

to
Letter of Credit Number _____

Date City, County Letter of Credit No.

PAY TO THE ORDER OF: _____ Utah Division of Oil, Gas and Mining, _____
_____ DOLLARS

TO: (Name of Bank or Surety)
and
(Address)

Utah Division of Oil, Gas and Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

By: _____
Authorized Signature



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

EXHIBIT B

to
Letter of Credit Number _____

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of the Reclamation Contract number _____, in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability for the _____ [mine], _____ [mine permit #].

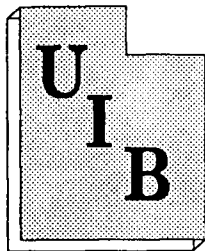
The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature

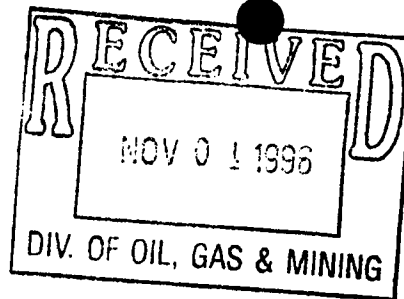
Date _____

3:JOINTLOC





**UTAH
INDEPENDENT
BANK**



m/015/061

55 South State
Salina, Utah 84654
Phone (801)529-7459

Letter of Credit No.:
October 29, 1996

Utah Independent Bank
October 29, 1997

Utah Division of Oil, Gas and Mining
3 Triad Center, Suite 350
Salt Lake City, UT 84130-1203

and

United States Department of Interior
Bureau of Land Management
Moab District
San Rafael Resource Area
900 North 700 East
Price, UT 84501

Gentlemen and Ladies:

1. Utah Independent Bank, Salina, Utah, hereby establishes this irrevocable Letter of Credit in favor of the Utah Division of Oil, Gas and Mining ("Division") for itself and as agent for the Department of the Interior - BLM (collectively, the "Beneficiaries") for an aggregate amount not to exceed \$40,800.00 in United States dollars effective immediately.
2. This Letter of Credit will expire upon the earlier to occur of (a) 5:00 o'clock p.m. (Salt Lake City time) on October 29, 1997 and (b) the date upon which documents are executed pursuant to which the Division releases Western Clay Company from liability for reclamation of the Last Chance Mine, no. M/015/061 with notice to Bank or Surety by the Division accompanied by the original Letter of Credit with directions for cancellation.
3. The Letter if Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Utah Independent Bank gives notice to the Division 90 days prior to the expiration date that the Utah Independent Bank elects not to renew the Letter of Credit.
4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No.: 25069659 delivered to the office of the Utah Independent Bank, 55 South State Street, Salina, Utah. At the Division's sole election, the

Division may present sight drafts for less than the face amount so long as the aggregate amount of all sight drafts does not exceed the face amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If the Utah Independent Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination date of this Letter of Credit, Utah Independent Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Utah Independent Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. The Utah Independent Bank will give prompt notice to Western Clay Company, and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Utah Independent Bank, or alleging any violation of regulatory requirements which could result in suspension or revocation of the Utah Independent Banks charter or license to do business.

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8. All communications regarding this Letter of Credit will be addressed to the Utah Independent Bank, 55 South State Street, Salina, Utah, referencing letter of Credit No.: 25069659.

Very truly yours,

Utah Independent Bank

By: 
Mike Shaw, Cashier


MWS/lc
cc: Western Clay Company
File



M/015/061

P.O. Box 09 / 55 South State Salina, Utah 84654 Phone (435) 529-7459 Fax (435) 529-7884

September 12, 2001

**Irrevocable Letter of Credit number _____
AMENDMENT**

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P. O. Box 145801
Salt Lake City, UT 84114-5801

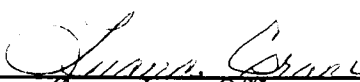
RE: Letter of Credit date March 17, 1996
Mine: Last Chance Mine, M/015/061, Emery County, Utah
Amount: \$40800.00

Utah Independent Bank has been requested by **WESTERN CLAY COMPANY, INC., P. O. BOX 127, AURORA, UTAH 84620** to amend the above referenced Irrevocable Letter of Credit number 25069659 issued in your favor, as follows:

1. Letter of Credit number 4 will change to ' _____
2. The principal amount of the above mentioned Irrevocable Letter of Credit will be increased by \$11,000.00 to an aggregate amount of **\$51,800.00**.
3. The maturity date will be extended to **October 29, 2002**.

All other conditions will remain the same.

Sincerely,



Luana Crane, Loan Officer

RECEIVED

SEP 21 2001

**DIVISION OF
OIL, GAS AND MINING**